



**United States  
Department of  
Agriculture**

Food and  
Nutrition  
Service

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Alexandria, VA  
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Subject: Poultry Substitution Reporting Guidance

To: State Distributing Agencies

We are issuing the attached guidance to clarify commodity processing reporting requirements under the substitution waiver authority. This guidance has been drafted and procedures have been coordinated with the Agricultural Marketing Service's Grading Branch. It also has been developed with input from the ACDA processing committee.

For States, schools and processors to reap the full benefit of the substitution option, we recommend that processed product cases be distributed independently from the source delivery order numbers. This results in simplified product flow, first-in-first out distribution, storage savings, prompt delivery, flexible delivery quantities and improved customer service. If you are receiving processed products under the substitution option, commodity delivery order numbers no longer need to be used to track or to segregate specific products physically. Neither should orders be linked physically to end product cases for allocation purposes or to distribute specific cases to specific school districts. Under substitution, delivery orders only need to be used as an accounting device to determine whether the guaranteed minimum return was met and to establish the total cases of end product produced for a State and owed to recipient agencies.

We plan to issue regulations making poultry substitution a permanent option for the upcoming School Year. Please let us know if you have any other questions regarding processing reporting requirements in general or this guidance in particular.

Suzanne Rigby  
Chief  
Schools and Institutions Branch  
Food Distribution Division

Attachment

Cc: Rex Barnes, AMS Poultry Grading  
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## **Reporting of Poultry Processing Under Substitution Authority**

### **Meeting USDA Contract (first contract)**

1. States enter into contracts with a processor. Both parties sign an EPDS.
2. States submit delivery orders (d/os) to USDA for purchasing and delivery to processor.
3. USDA purchases the truckload of bulk product identified with a d/o.
4. The truckload of product is delivered to the processor:
  - A) Weight of the delivered load must be 35,280 to 36,360 pounds.
  - B) PY-210 (PPA) certificate is issued by the USDA grader for the purchased d/o at the processing facility to certify the delivery weight and compliance with the USDA purchase contract specifications.
5. The supplier submits a copy of the PY-210 to USDA for payment
6. Based on the d/o purchased, the processor adds the weight from the PY-210 to the applicable State's Monthly Performance Report (MPR).

### **Meeting State Processing Contract (second contract)**

1. The processor declares the d/o for processing and notifies the USDA grader. End product can be processed under any d/o purchased for delivery to the processor.
2. The USDA grader enters the weight of the load to be processed on a PY-209 (PRA) reprocessing certificate as the beginning weight for the declared d/o.
3.
  - A) If the declared d/o has already been delivered to the processor under the USDA contract, the processor must compare the purchased weight from the PY-210 for that d/o with the beginning weight of the processed load on the PY-209 for the same d/o.
  - B) If the declared d/o has not yet been delivered to the processor under the USDA contract, there is not PY-210 for that d/o. However, when the declared d/o is delivered, the processor will have to compare the weight from the PY-210 for that d/o with the beginning weight of the processed load on the PY-209.
4. Upon comparing the weights, the processor must adjust according to the substitution notice, as follows:
  - A) If the beginning processing weight on the PY-209 is less than the weight purchased on the PY-210, the processor must pay the applicable State the difference in weight times the USDA contract price.
  - B) If the beginning weight on the PY-209 is greater than the weight on the PY-210, no credit or payment will be given to the processor.
5. Once the processor reconciles the weights, the processor's MPR for that State must be updated to include the PY-209 weight for the d/o.
6. The processor processes the product under the USDA grader's supervision.
7. For the purposes of determining the yield for the production run, the d/o's product must be identified through-out processing. After processing the physical d/o is no longer associated with specific cases of end products.
8. The grader issues the PY-209 (PRA) certificate that reflects the beginning weight of the processed d/o, the quantity of finished product produced from the load and contract compliance.

9. **The Guaranteed Minimum Return (GMR) is calculated from the percentage in column 8 of the End Product Data Schedule times the beginning weight from the PY-209.** This is the minimum quantity of finished product that the processor was guaranteeing to be produced from a load of bulk product and delivered to the State. The GMR is *not* calculated from the USDA purchased weight on the PY-210.
10. If the processor does not meet their GMR, to make up for the end product shortfall, they must either produce additional product of equal to or better quality or they must pay the State for the shortage.
11. If the processor exceeded their GMR, they are required to deliver all finished product to the State, including the overage.
12. The finished product is delivered to the State. Any rework products delivered (per the State agreement) cannot count towards the GMR.
13. The finished product quantity is reflected on the MPR.
14. The MPR from the processor should reflect the weight from the PY-210 (PPA) certificate of purchase for the specific d/o, the beginning processing weight from the PY-209 (PRA) certificate for the same d/o and the quantity of finished product produced. The PY-209 and the PY-210 certificates provide the backup documentation for the MPR.
15. If the d/o is processed prior to the actual delivery of the bulk with a PY-210, a PY-209 certificate is prepared and the end product is reflected on the MPR. This causes a negative inventory on the MPR until the d/o is delivered and a PY-210 issued.
16. Any reconciliation of shortages, i.e. the PY-210 and PY-209 short processing weight or a PY-209 GMR end product short fall, should be accompanied with documentation of additional end product shipped or check issuance. States should keep unresolved PY-209's separated until the PY-210 for the claimed d/o is received.
17. Delivery orders no longer need to be used to segregate and to track product physically. Further they do not need to be linked to end product cases for the purposes of allocation or to distribute specific cases to specific school districts. Under substitution, we recommend that States only use d/os as an accounting device to determine that the guaranteed return amount was met and to establish the cases of end product owed to recipients.